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3 UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

4 -----x  
5 JOHN L. EDMONDS, et al.,  
6 Plaintiff,

7 Case No.  
- against - 08-CV-5648 (HB)

8 ROBERT W. SEAVEY, et al.,  
9 Defendants.  
10 -----x

11 April 22, 2009  
12 10:15 a.m.  
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14  
15

16 DEPOSITION of ADAM M. PRYCE, taken by  
17 the Parties, pursuant to Subpoena, held at the  
18 offices of Herrick, Feinstein, LLP, 2 Park  
19 Avenue, New York, New York 10016, before Donna  
20 A. Metz, a Registered Professional Reporter  
21 and Notary Public in and for the State of  
22 New York.  
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| <p>2</p> <p>1<br/>2<br/>3<br/>4<br/>5<br/>6<br/>7<br/>8<br/>9<br/>10<br/>11<br/>12<br/>13<br/>14<br/>15<br/>16<br/>17<br/>18<br/>19<br/>20<br/>21<br/>22<br/>23<br/>24<br/>25</p> <p>APPEARANCES:</p> <p>M. DOUGLAS HAYWOODE, ESQ.<br/>Attorney for Plaintiffs<br/>71 Maple Street<br/>Kings Chancellery<br/>Brooklyn, New York 11225-5001</p> <p>HERRICK, FEINSTEIN LLP<br/>Attorneys for Defendants Robert W.<br/>Seavey, Phyllis M. Seavey, Avery B.<br/>Seavey, Nealle B. Seavey, Ronald Dawley,<br/>Dalton Management Company, LLC and<br/>The Seavey Organization<br/>2 Park Avenue<br/>New York, New York 10016<br/>By: M. DARREN TRAUB, ESQ.,<br/>of Counsel<br/>(File No. 6955-004)</p> <p>WILSON ELSEER MOSKOWITZ<br/>EDELMAN &amp; DICKER LLP<br/>Attorneys for Defendant Marks<br/>Paneth &amp; Shron<br/>3 Gannett Drive<br/>White Plains, New York 10604-3407</p> <p>By: WILLIAM J. KELLY, ESQ.,<br/>of Counsel<br/>(File No. 01439.00148)</p> <p>ALSO PRESENT:</p> <p>JOHN L. EDMONS<br/>PHYLLIS M. SEAVEY</p> | <p>4</p> <p>1<br/>2<br/>3<br/>4<br/>5<br/>6<br/>7<br/>8<br/>9<br/>10<br/>11<br/>12<br/>13<br/>14<br/>15<br/>16<br/>17<br/>18<br/>19<br/>20<br/>21<br/>22<br/>23<br/>24<br/>25</p> <p>A D A M M . P R Y C E , having been<br/>duly sworn by the Notary Public<br/>(Donna A. Metz), was examined and<br/>testified as follows:</p> <p>EXAMINATION</p> <p>BY MR. KELLY:</p> <p>Q. Good morning, Mr. Pryce.<br/>A. Good morning, Mr. Kelly.<br/>Q. Obviously you know my name.<br/>This morning, we will be asking you<br/>a few questions regarding your engagement with<br/>Mr. Edmonds.<br/>If at any time you don't understand<br/>my question or you don't hear my question,<br/>please let us know.<br/>If you answer the question, we will<br/>assume you understood the question and that<br/>you are responding to that question.<br/>Does that seem fair to you?<br/>A. Yes.<br/>Q. At any time you would like to take a<br/>break, please let us know.<br/>Are you represented by counsel here</p>                               |
| <p>3</p> <p>1<br/>2<br/>3<br/>4<br/>5<br/>6<br/>7<br/>8<br/>9<br/>10<br/>11<br/>12<br/>13<br/>14<br/>15<br/>16<br/>17<br/>18<br/>19<br/>20<br/>21<br/>22<br/>23<br/>24<br/>25</p> <p>STIPULATIONS:</p> <p>IT IS HEREBY STIPULATED AND<br/>AGREED by and between the attorneys for<br/>the parties hereto that sealing and<br/>filing of the within deposition be and<br/>the same are hereby waived; and that the<br/>transcript may be signed before any<br/>Notary Public with the same force and<br/>effect as if signed before the Court.</p> <p>IT IS FURTHER STIPULATED AND<br/>AGREED that all objections, except as to<br/>the form of the question, shall be<br/>reserved to the time of trial.</p> <p>o o o</p>   | <p>5</p> <p>1<br/>2<br/>3<br/>4<br/>5<br/>6<br/>7<br/>8<br/>9<br/>10<br/>11<br/>12<br/>13<br/>14<br/>15<br/>16<br/>17<br/>18<br/>19<br/>20<br/>21<br/>22<br/>23<br/>24<br/>25</p> <p>Adam M. Pryce<br/>today?</p> <p>THE WITNESS: Am I?<br/>MR. HAYWOODE: I have explained to<br/>Orley, I did not talk to you, I do not<br/>represent you. I represent John Edmonds.<br/>If you wish to be represented by<br/>counsel you may do that, but yesterday<br/>Orley determined that he would not be<br/>represented.<br/>You may do the same.<br/>I will listen to what is said.<br/>I will object in the interest of<br/>John Edmonds, but I am mindful that you<br/>are a witness put forward by my client<br/>John Edmonds.<br/>THE WITNESS: Okay.<br/>A. I take the same position that Orley<br/>took yesterday.<br/>Q. Can you tell me a little bit about<br/>your educational history?<br/>A. I did my bachelor's in accounting at<br/>the University of West Indies, Kingston,<br/>Jamaica.<br/>I did also the ACCA. That is the</p> |

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| <p>6</p> <p>1 Adam M. Pryce</p> <p>2 Association of Chartered Certified Accountants</p> <p>3 in U.K. I did level 2, which is equivalent of</p> <p>4 a master's in accounting.</p> <p>5 Q. When did you complete that</p> <p>6 educational --</p> <p>7 A. I completed that in 1994.</p> <p>8 The bachelor's in 1986 and the ACCA</p> <p>9 in 1994 and my bachelor -- ACCA.</p> <p>10 MR. HAYWOODE: What is that?</p> <p>11 THE WITNESS: Association of</p> <p>12 Chartered Certified Accountants in U.K.</p> <p>13 Q. You said that was a level 2?</p> <p>14 A. Level 2 which is equivalent of</p> <p>15 master's in accounting.</p> <p>16 Q. When did you complete that</p> <p>17 educational aspect?</p> <p>18 A. In 1994.</p> <p>19 Sorry.</p> <p>20 1994, yes, 1994.</p> <p>21 Q. When you completed that educational</p> <p>22 aspect, did you then begin your professional</p> <p>23 career?</p> <p>24 A. No.</p> <p>25 I started my professional career --</p>   | <p>8</p> <p>1 Adam M. Pryce</p> <p>2 Q. What did you do with H &amp; R Block?</p> <p>3 A. Tax preparer, tax preparation.</p> <p>4 Q. How long did you work at H &amp; R</p> <p>5 Block?</p> <p>6 A. Between I think December '95 to</p> <p>7 '98. I don't remember, somewhere around that</p> <p>8 time.</p> <p>9 Q. After your work at H &amp; R Block, what</p> <p>10 did you do next?</p> <p>11 A. At that time I was doing the CPA</p> <p>12 examination, which I passed in November of</p> <p>13 2000.</p> <p>14 MR. HAYWOODE: Sorry. What</p> <p>15 examination?</p> <p>16 THE WITNESS: CPA.</p> <p>17 A. The CPA exam which I passed in</p> <p>18 November of 2000.</p> <p>19 Q. I didn't mean to interrupt.</p> <p>20 Were you continuing?</p> <p>21 A. Yes.</p> <p>22 Q. Okay.</p> <p>23 A. And then I work with Leroy Duffus,</p> <p>24 CPA.</p> <p>25 Q. Can you spell that please?</p>   |
| <p>7</p> <p>1 Adam M. Pryce</p> <p>2 I did ten years in accounting in Jamaica.</p> <p>3 Q. I am going to ask that you keep your</p> <p>4 voice loud so the court reporter can hear and</p> <p>5 type down what is being said.</p> <p>6 A. Okay.</p> <p>7 Are you talking about experience?</p> <p>8 Do you want me to go to that?</p> <p>9 Q. Right now I would like to know where</p> <p>10 you worked and when.</p> <p>11 A. My first job was the Investment Bank</p> <p>12 of Jamaica, which I worked for two years as a</p> <p>13 senior accountant.</p> <p>14 Then I moved on to Alcan Sproston.</p> <p>15 This is a division of Alcan Aluminum of</p> <p>16 Canada, which I worked for two years.</p> <p>17 Then I worked with Jamaica Aluminum</p> <p>18 Company for six years as the chief accountant.</p> <p>19 Q. After your work at the Jamaica</p> <p>20 Aluminum Company, what did you do next?</p> <p>21 A. Well, I migrated to United States in</p> <p>22 1995.</p> <p>23 Q. Did you change your employer in 1995</p> <p>24 when you migrated to the United States?</p> <p>25 A. In 1995 I worked with H &amp; R Block.</p> | <p>9</p> <p>1 Adam M. Pryce</p> <p>2 A. L-e-r-o-y D-u-f-f-u-s, CPA, for a</p> <p>3 year.</p> <p>4 Q. What did you do there?</p> <p>5 A. I was an auditor.</p> <p>6 Q. Was that the first position you held</p> <p>7 that you did any auditing work?</p> <p>8 A. Yes.</p> <p>9 Q. What types of companies did you</p> <p>10 audit?</p> <p>11 A. Not-for-profits, most</p> <p>12 non-for-profits.</p> <p>13 Q. After your time at Leroy Duffus,</p> <p>14 where did you work next?</p> <p>15 A. I worked with Orley Cameron, CPA for</p> <p>16 two years as a senior auditor.</p> <p>17 Q. Do you know what years those were?</p> <p>18 A. I think it's 2002 to 2004.</p> <p>19 Q. During your work with Orley Cameron,</p> <p>20 CPA, what type of companies did you audit?</p> <p>21 A. Small not-for-profit companies,</p> <p>22 daycare.</p> <p>23 Q. After your work with Orley Cameron</p> <p>24 CPA, where did you work next?</p> <p>25 A. Well, at that time I have -- while I</p> |

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| <p style="text-align: right;">10</p> <p>1 Adam M. Pryce</p> <p>2 was working with Orley I had a position at</p> <p>3 FACES New York, Inc., FACES NY, Inc., as a</p> <p>4 controller.</p> <p>5 This is a company that is a</p> <p>6 not-for-profit organization. Its main service</p> <p>7 is low income housing, HUD assisted projects.</p> <p>8 And there's also a limited liability</p> <p>9 partnership that is owned by Citibank, ESIC</p> <p>10 Enterprise. This is a Citigroup limited</p> <p>11 liability partnership which FACES New York</p> <p>12 is the management company, and I'm the</p> <p>13 controller.</p> <p>14 Q. As controller of FACES New York, can</p> <p>15 you describe your work responsibilities?</p> <p>16 A. Well, I'm responsible for overall</p> <p>17 financial management of the corporation,</p> <p>18 501(c)3 corporation, including the</p> <p>19 partnership, the limited liability</p> <p>20 partnership.</p> <p>21 Q. Does FACES New York prepare</p> <p>22 financial statements that are audited?</p> <p>23 A. Yes.</p> <p>24 Q. What is your involvement in the</p> <p>25 preparation of those financial statements?</p> | <p style="text-align: right;">12</p> <p>1 Adam M. Pryce</p> <p>2 A. Audit service, I did one for a</p> <p>3 school, churches, most not-for-profit.</p> <p>4 Q. Other than your work at FACES</p> <p>5 New York, as controller, and Adam Pryce, CPA,</p> <p>6 do you have any other professional</p> <p>7 engagements?</p> <p>8 A. Well, when I came to this country I</p> <p>9 did real estate. I have a real estate</p> <p>10 broker's license.</p> <p>11 I worked with Century 21.</p> <p>12 Q. Did there come a point in time where</p> <p>13 you were a founding member of an accounting</p> <p>14 firm known as Cameron, Griffiths &amp; Pryce?</p> <p>15 A. Yes.</p> <p>16 Cameron, Griffiths &amp; Pryce was</p> <p>17 incorporated, I think, June 2007, to do</p> <p>18 specifically this job here, this project.</p> <p>19 Q. So Cameron, Griffiths &amp; Pryce has no</p> <p>20 other business purpose other than this</p> <p>21 engagement with Mr. Edmonds?</p> <p>22 A. It was formed to do this engagement,</p> <p>23 yes.</p> <p>24 Q. How did you come to learn about the</p> <p>25 engagement with Mr. Edmonds?</p> |
| <p style="text-align: right;">11</p> <p>1 Adam M. Pryce</p> <p>2 A. Well, I prepare the inhouse</p> <p>3 financial statements, as independent auditor.</p> <p>4 So I'm responsible for arranging the audit,</p> <p>5 overseeing it.</p> <p>6 Q. Is your work as controller for FACES</p> <p>7 New York a full-time position?</p> <p>8 A. It's a full-time position, yes.</p> <p>9 Q. Do you have any other employment</p> <p>10 other than your work at FACES New York at the</p> <p>11 current time?</p> <p>12 A. Yes.</p> <p>13 I have a public company -- a public</p> <p>14 accounting firm, Adam Pryce, CPA.</p> <p>15 Q. How long have you had a public</p> <p>16 accounting firm Adam Pryce, CPA?</p> <p>17 A. I think since 2005.</p> <p>18 Q. And what type of work does Adam</p> <p>19 Pryce, CPA do?</p> <p>20 A. I do audits, small audits. I do</p> <p>21 compilation.</p> <p>22 I review engagements, income taxes,</p> <p>23 financial planning.</p> <p>24 Q. What type of clients does Adam</p> <p>25 Pryce, CPA provide audit services for?</p>   | <p style="text-align: right;">13</p> <p>1 Adam M. Pryce</p> <p>2 A. Orley invited me on the project.</p> <p>3 Q. What did Orley Cameron tell you</p> <p>4 about the project when he invited you?</p> <p>5 A. Well, he told me that Edmonds had</p> <p>6 certain concerns about distribution.</p> <p>7 Q. Did he tell you anything else?</p> <p>8 A. No, distribution, and he wants an</p> <p>9 audit to be done.</p> <p>10 Q. What did you say in response to</p> <p>11 Mr. Cameron?</p> <p>12 A. Well, I said I will join the team.</p> <p>13 Q. At that point you were engaged by</p> <p>14 Mr. Edmonds to conduct an audit, is that</p> <p>15 correct?</p> <p>16 A. Can you repeat that?</p> <p>17 Q. At that point you were engaged by</p> <p>18 Mr. Edmonds to conduct an audit?</p> <p>19 A. A financial audit.</p> <p>20 We were engaged to do a financial</p> <p>21 audit.</p> <p>22 Q. What is a financial audit?</p> <p>23 A. A financial audit is one in which we</p> <p>24 follow GAAS, generally acceptable accounting</p> <p>25 standards -- auditing standards, which is set</p>                                      |

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| <p style="text-align: right;">14</p> <p>1 Adam M. Pryce</p> <p>2 by the AICPA, GAGAS in this case, which is</p> <p>3 government auditing standards which we follow</p> <p>4 in this case, and GAAP, general accepted</p> <p>5 accounting principles, GAAP, G-A-A-P.</p> <p>6 So we follow GAAP, we follow GAAS,</p> <p>7 and we follow GAGAS.</p> <p>8 Q. What steps did you take in planning</p> <p>9 for this audit?</p> <p>10 A. Well, first we visited the Dalton</p> <p>11 Management, and first thing we asked for,</p> <p>12 trial balance.</p> <p>13 We didn't get a trial balance. This</p> <p>14 was very strange because usually the system</p> <p>15 produces a trial balance.</p> <p>16 We use this trial balance to do the</p> <p>17 planning and the preliminary analytic review.</p> <p>18 Q. In preparing for the audit, did you</p> <p>19 consult any professional guide?</p> <p>20 A. All guides we do 40 credits per</p> <p>21 year, we have our accounting, GAAP, GAAS, we</p> <p>22 consult those, GAAS, GAGAS, and the GAAS is</p> <p>23 what we consult.</p> <p>24 We consult also the HUD, the</p> <p>25 government project, because we notice that</p> | <p style="text-align: right;">16</p> <p>1 Adam M. Pryce</p> <p>2 can you tell me what regulations or rules HUD</p> <p>3 imposes on those projects?</p> <p>4 A. Well, first thing, HUD -- this is</p> <p>5 government. Then GAGAS, we have to know the</p> <p>6 GAGAS rules. This is governed by GAGAS, also</p> <p>7 GAAP, because GAAP, we cannot forget GAAP, and</p> <p>8 GAAS, we have to be governed by GAAS.</p> <p>9 Q. In your time as an auditor in any of</p> <p>10 your positions, had you audited any entity</p> <p>11 that was regulated by DHCR?</p> <p>12 A. No.</p> <p>13 Well, one of our projects at FACES;</p> <p>14 one of our projects, the DHCR is regulated by</p> <p>15 DHCR, the HDFC projects.</p> <p>16 Q. What does HDFC stand for?</p> <p>17 A. Housing -- I don't remember exactly</p> <p>18 right now.</p> <p>19 Q. When you were first engaged by</p> <p>20 Mr. Edmonds, did you agree upon a price you</p> <p>21 would charge Mr. Edmonds for the services</p> <p>22 provided?</p> <p>23 A. We look on -- we got the financial</p> <p>24 statements, the trial balance, and our fee was</p> <p>25 determined 1 percent of revenue.</p> |
| <p style="text-align: right;">15</p> <p>1 Adam M. Pryce</p> <p>2 three of them were HUD assisted projects.</p> <p>3 Q. Just to clarify for the court</p> <p>4 reporter, HUD is H-U-D?</p> <p>5 A. Yes, HUD, yes.</p> <p>6 MR. HAYWOODE: Housing and Urban</p> <p>7 Development Corporation.</p> <p>8 THE WITNESS: Yes.</p> <p>9 Q. GAAP is G-A-A-P, all capital</p> <p>10 letters?</p> <p>11 A. Yes.</p> <p>12 Q. GAAS is G-A-A-S, all capital</p> <p>13 letters?</p> <p>14 A. Um-hum.</p> <p>15 Q. And GAGAS is G-A-G-A-S, all capital</p> <p>16 letters?</p> <p>17 A. Yes.</p> <p>18 Q. Prior to your involvement with</p> <p>19 Mr. Edmonds, had you audited any clients that</p> <p>20 were subject to HUD regulations?</p> <p>21 A. I have not audited with HUD</p> <p>22 regulation, but I have the experience, seven</p> <p>23 years as a controller with a project that are</p> <p>24 HUD assisted projects.</p> <p>25 Q. For projects that are HUD assisted,</p>  | <p style="text-align: right;">17</p> <p>1 Adam M. Pryce</p> <p>2 Q. For what year were you going to</p> <p>3 audit?</p> <p>4 A. It was to be audited 2005, 2006.</p> <p>5 Q. Was your fee going to be 1 percent</p> <p>6 per year of audit?</p> <p>7 A. 1 percent of the revenue, yes; 1</p> <p>8 percent of whatever the revenue per year, yes.</p> <p>9 Q. Maybe my question wasn't clear.</p> <p>10 You said you were going to audit</p> <p>11 2005 and 2006?</p> <p>12 A. Yes, two years. Usually two years</p> <p>13 when you are auditing, two years comparison.</p> <p>14 If the corporation is in business</p> <p>15 for at least two years, you need to have two</p> <p>16 years in order to do proper planning because</p> <p>17 you are comparing, like for example, salary,</p> <p>18 contract, expenses, against rental revenue,</p> <p>19 the percentage. You want to see if it's</p> <p>20 consistent over the years.</p> <p>21 If it's 80 percent here, 70 percent</p> <p>22 there, then you have to examine why has it</p> <p>23 changed. So you need to have at least two</p> <p>24 years comparison.</p> <p>25 Q. When you were first engaged by</p> |

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| <p style="text-align: right;">18</p> <p>1 Adam M. Pryce</p> <p>2 Mr. Edmonds, did you enter into an engagement</p> <p>3 agreement?</p> <p>4 A. Yes. We had an engagement</p> <p>5 agreement, yes.</p> <p>6 Q. Do you still have a copy of that</p> <p>7 engagement agreement?</p> <p>8 A. Yes, we have the engagement. Yes.</p> <p>9 Q. After you began your engagement,</p> <p>10 what steps did you take next to do the</p> <p>11 engagement?</p> <p>12 A. Okay. When we got the engagement,</p> <p>13 the next step was to do the fieldwork.</p> <p>14 Q. What do you mean by "fieldwork"?</p> <p>15 A. Fieldwork, that is to go to the</p> <p>16 client and then do the testing. We have to do</p> <p>17 a sample, based on our analytic procedure,</p> <p>18 based on the fluctuation, if there is</p> <p>19 fluctuation.</p> <p>20 We compare previous years and we do</p> <p>21 testing based on the fluctuation. We</p> <p>22 determine high risk areas to be tested.</p> <p>23 That is our professional judgment,</p> <p>24 based on our professional judgment.</p> <p>25 Q. How many times did you go and do</p> | <p style="text-align: right;">20</p> <p>1 Adam M. Pryce</p> <p>2 For example, there was \$180,000 in</p> <p>3 accounts payable. In Dalton books it says it</p> <p>4 belongs to Dalton Management, and we did test</p> <p>5 that and we found that was not Dalton</p> <p>6 Management. It's for the partners.</p> <p>7 Q. Who told you it was for the</p> <p>8 partners?</p> <p>9 A. Well, I think Orley and Sandra</p> <p>10 confirm with Ron.</p> <p>11 Q. With Ron Dawley?</p> <p>12 A. Confirm with Ron and Edmonds.</p> <p>13 Edmonds says it's for the partners.</p> <p>14 Ron, I don't know. After we found</p> <p>15 out that is for the partners, is not for</p> <p>16 Dalton.</p> <p>17 In the books it said for Dalton</p> <p>18 Management. So one of the questions is that</p> <p>19 how, if a vendor gives an invoice, how is it</p> <p>20 that another vendor owes the liability -- owns</p> <p>21 the liability, belongs.</p> <p>22 A vendor gives an invoice. So we</p> <p>23 couldn't get invoice. We tried to test the</p> <p>24 invoice. There was no testing. It was just</p> <p>25 stated in the invoice, \$180,000, in Dalton,</p> |
| <p style="text-align: right;">19</p> <p>1 Adam M. Pryce</p> <p>2 fieldwork?</p> <p>3 A. How many times? Many times.</p> <p>4 I didn't count them.</p> <p>5 Q. Was it more than a hundred times?</p> <p>6 A. I don't think it's one hundred</p> <p>7 times.</p> <p>8 Q. Do you maintain records reflecting</p> <p>9 what you did on a particular day in connection</p> <p>10 with this engagement?</p> <p>11 A. The only records we maintain in</p> <p>12 terms of testing, we have documentary evidence</p> <p>13 to support what we test.</p> <p>14 So I don't know what you mean, if</p> <p>15 you're talking about time. You mean logs?</p> <p>16 Q. Yes, timesheets or time logs.</p> <p>17 A. No. Our engagement was a fixed</p> <p>18 engagement, fixed fee.</p> <p>19 Q. What documents did you request from</p> <p>20 Dalton Management at the beginning of your</p> <p>21 fieldwork?</p> <p>22 A. A number of documents.</p> <p>23 Q. Do you recall any of those documents</p> <p>24 in particular?</p> <p>25 A. Yes.</p>   | <p style="text-align: right;">21</p> <p>1 Adam M. Pryce</p> <p>2 when in fact further that was a great mystery,</p> <p>3 and that was a third-party transaction,</p> <p>4 related party transaction, which is not an</p> <p>5 arm's length transaction and was not disclosed</p> <p>6 in the audit report.</p> <p>7 It doesn't matter the amount.</p> <p>8 Related party transaction should be disclosed.</p> <p>9 Q. You mentioned in your previous</p> <p>10 answer that Mr. Edmonds acknowledged that the</p> <p>11 money was due to the partners; is that your</p> <p>12 understanding?</p> <p>13 A. Yes.</p> <p>14 Q. How did you get that understanding?</p> <p>15 A. Well, Orley corroborated, my partner</p> <p>16 corroborated, and I think he corroborated with</p> <p>17 Seavey as well, like 180,000.</p> <p>18 Q. So Orley corroborated that \$180,000</p> <p>19 was due to the partners with both Mr. Edmonds</p> <p>20 and the Seaveys?</p> <p>21 A. Yes.</p> <p>22 Q. Who was in charge of the engagement</p> <p>23 for Cameron, Griffiths &amp; Pryce?</p> <p>24 A. Orley is the lead partner in the</p> <p>25 engagement.</p>          |

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| <p style="text-align: right;">22</p> <p>1 Adam M. Pryce</p> <p>2 Q. At some point after commencing your</p> <p>3 fieldwork, did Cameron, Griffiths &amp; Pryce</p> <p>4 issue an independent auditor's report?</p> <p>5 A. We did issue a report, a disclaimer</p> <p>6 opinion.</p> <p>7 We didn't form an opinion of</p> <p>8 financial statement because there were client</p> <p>9 scope limitations, client restriction. We</p> <p>10 didn't get to finish our testing in order to</p> <p>11 form an opinion. That was called a</p> <p>12 disclaimer.</p> <p>13 We didn't form an opinion because we</p> <p>14 had a number of client restrictions and scope</p> <p>15 limitations.</p> <p>16 MR. KELLY: I am going to ask the</p> <p>17 court reporter to hand the witness</p> <p>18 Exhibit 14.</p> <p>19 Q. Is this the independent auditor's</p> <p>20 report that you were referring to in your</p> <p>21 previous answer?</p> <p>22 A. Yes. This is what they call</p> <p>23 disclaimer, yes.</p> <p>24 Q. After you issued this independent</p> <p>25 auditor's report, did you then provide a</p>                                      | <p style="text-align: right;">24</p> <p>1 Adam M. Pryce</p> <p>2 given to both counsel all records, all</p> <p>3 papers, all notes received by Mr. Edmonds</p> <p>4 and in my file with regard to this</p> <p>5 investigation by the Cameron, Griffiths &amp;</p> <p>6 Pryce Corporation.</p> <p>7 You have everything in your</p> <p>8 possession. Whether you call it an</p> <p>9 auditor's report or you call it just</p> <p>10 something scribbled on a piece of paper</p> <p>11 or scribbled on any other document, it is</p> <p>12 all in your possession.</p> <p>13 Q. What do written management reports</p> <p>14 look like?</p> <p>15 A. Before that, let me clarify.</p> <p>16 One of the items that were addressed</p> <p>17 in our management report was the \$180,000,</p> <p>18 that was one of the items, material items that</p> <p>19 was raised.</p> <p>20 Q. What do the written management</p> <p>21 reports look like?</p> <p>22 A. Well, it tells you what are the</p> <p>23 discrepancies, what we test, what we see, what</p> <p>24 we didn't get clarification for, because we</p> <p>25 are there to verify, verify based on what</p> |
| <p style="text-align: right;">23</p> <p>1 Adam M. Pryce</p> <p>2 document to Mr. Edmonds relating to specific</p> <p>3 issues you had identified?</p> <p>4 A. No. Before that we always inform</p> <p>5 Edmonds as to, with management, management</p> <p>6 reports, as to where we are, as to where we</p> <p>7 are, what are the items that we need, what we</p> <p>8 tested and what's the problem.</p> <p>9 So this was the final report after</p> <p>10 that.</p> <p>11 Q. When you informed Mr. Edmonds about</p> <p>12 items you were testing before this report, how</p> <p>13 did you do that?</p> <p>14 A. Through written agreement, written</p> <p>15 communication. We have a number of management</p> <p>16 reports that we gave Edmonds.</p> <p>17 Q. Do you still have copies of these</p> <p>18 management reports?</p> <p>19 A. Yes, we do have copies of them.</p> <p>20 MR. TRAUB: I want the record to</p> <p>21 reflect we have not receive any written</p> <p>22 management reports dated before November</p> <p>23 29, 2007.</p> <p>24 MR. HAYWOODE: Let the record</p> <p>25 reflect, as it did yesterday, that I have</p> | <p style="text-align: right;">25</p> <p>1 Adam M. Pryce</p> <p>2 Dalton gives us, the trial balance, these</p> <p>3 figures.</p> <p>4 Q. And how many of these written</p> <p>5 management reports did you provide to</p> <p>6 Mr. Edmonds?</p> <p>7 A. A number. I don't recall how many.</p> <p>8 I don't recall how many.</p> <p>9 Q. Was it more than five?</p> <p>10 A. I don't know.</p> <p>11 Q. After you issued the auditor's</p> <p>12 report --</p> <p>13 MR. KELLY: Strike that.</p> <p>14 I am going to ask the court reporter</p> <p>15 to show the witness Exhibit 15.</p> <p>16 MR. HAYWOODE: I would urge that all</p> <p>17 counsel withdraw their questions rather</p> <p>18 than strike them, because there is no</p> <p>19 judge here.</p> <p>20 If it's a motion, it's going</p> <p>21 nowhere.</p> <p>22 Q. Mr. Pryce, do you have Exhibit 15 in</p> <p>23 front of you?</p> <p>24 A. Yes.</p> <p>25 Q. Do you recognize this document?</p>   |

7 (Pages 22 to 25)

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| <p style="text-align: right;">26</p> <p>1 Adam M. Pryce</p> <p>2 A. Yes.</p> <p>3 Q. What is this document?</p> <p>4 A. This document is from Cameron,</p> <p>5 Griffiths &amp; Pryce, addressed to Mr. John</p> <p>6 Edmonds.</p> <p>7 Q. What is the purpose of this</p> <p>8 document?</p> <p>9 A. The purpose of this document is to</p> <p>10 say that we have performed the audit of the</p> <p>11 above entities, and then it refers, on which</p> <p>12 we base no opinion, and saying that this is</p> <p>13 solely for inhouse use.</p> <p>14 Q. Other than Exhibits 14 and 15 --</p> <p>15 A. Yes.</p> <p>16 Q. -- in which you express no opinion</p> <p>17 with regard to your audit work --</p> <p>18 A. This is the disclaimer opinion.</p> <p>19 Q. -- have you modified that disclaimer</p> <p>20 of opinion in any way since you issued these</p> <p>21 documents?</p> <p>22 A. No, we have not modified the</p> <p>23 disclaimer because of scope limitations.</p> <p>24 We have not been satisfied based on</p> <p>25 what we tested, based on issues surrounding</p> | <p style="text-align: right;">28</p> <p>1 Adam M. Pryce</p> <p>2 make management decisions.</p> <p>3 When you have audit services, must</p> <p>4 be the de minimis rule, says that less than 40</p> <p>5 hours, maximum of \$5,000.</p> <p>6 We see, for example, at Lakeview,</p> <p>7 for example, where there was a contract from</p> <p>8 DHCR for \$34,000 and there was \$108,000</p> <p>9 charged, a difference. We considered that as</p> <p>10 overreaching.</p> <p>11 So those were overreaching according</p> <p>12 to GAGAS.</p> <p>13 Q. Is there anything else you saw that</p> <p>14 you referred to when you said you saw evidence</p> <p>15 of independence issues?</p> <p>16 A. Yes.</p> <p>17 One of the requirements of the audit</p> <p>18 is that you test management estimates.</p> <p>19 Management makes estimates. You</p> <p>20 test the estimates to make sure the estimates</p> <p>21 are reasonable, according to professional</p> <p>22 requirements.</p> <p>23 One of the requirements for DHCR was</p> <p>24 to calculate a shelter tax and the estimate</p> <p>25 was not made by Dalton, but it was done by the</p> |
| <p style="text-align: right;">27</p> <p>1 Adam M. Pryce</p> <p>2 independence, independence of external</p> <p>3 auditors and who was doing the accounting,</p> <p>4 issues of independence. That's very</p> <p>5 important.</p> <p>6 We saw evidence, appearance of</p> <p>7 independence, based on GAGAS, based on GAAP,</p> <p>8 based on GAAS, and we weren't satisfied with</p> <p>9 some of these. So we couldn't -- we made no</p> <p>10 opinion. We still have disclaimer of opinion.</p> <p>11 MR. HAYWOODE: We were dissatisfied,</p> <p>12 Ms. Metz.</p> <p>13 THE WITNESS: We were not satisfied.</p> <p>14 MR. HAYWOODE: "We were not</p> <p>15 satisfied." Dissatisfied.</p> <p>16 A. We still stick with the disclaimer</p> <p>17 of opinion.</p> <p>18 Q. You said you saw evidence regarding</p> <p>19 independence issues?</p> <p>20 A. Yes.</p> <p>21 Q. What evidence are you referring to?</p> <p>22 A. Okay.</p> <p>23 GAGAS mentions two overreaching</p> <p>24 principles.</p> <p>25 One is auditors are not supposed to</p>                                      | <p style="text-align: right;">29</p> <p>1 Adam M. Pryce</p> <p>2 auditor. And the estimate was done by the</p> <p>3 external auditor.</p> <p>4 Q. Anything else?</p> <p>5 A. That's one of the examples.</p> <p>6 There are a number of other things</p> <p>7 which -- there is a pattern at Lakeview, in,</p> <p>8 for example, Church Home, for example, where</p> <p>9 we have the exact contract amount exceeded</p> <p>10 over \$5,000, the de minimis rule as well.</p> <p>11 Q. Anything else?</p> <p>12 A. Those are examples.</p> <p>13 Q. When you said you saw evidence, I</p> <p>14 just want to know what evidence you saw.</p> <p>15 A. I gave you two evidences.</p> <p>16 Q. Anything else?</p> <p>17 A. The others -- this audit was done</p> <p>18 over a year ago --</p> <p>19 MR. HAYWOODE: Objection to any</p> <p>20 question --</p> <p>21 A. -- so I can't remember everything</p> <p>22 that you want me to remember, but I give you</p> <p>23 examples.</p> <p>24 MR. HAYWOODE: I withdraw my</p> <p>25 objection.</p>  |

8 (Pages 26 to 29)



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| <p style="text-align: right;">30</p> <p>1 Adam M. Pryce</p> <p>2 My objection to the question which</p> <p>3 calls upon a witness who submitted</p> <p>4 documentation which counsel all have in</p> <p>5 their possession, and you are asking for</p> <p>6 his present recollection as he sits here</p> <p>7 today of what he wrote over a year ago.</p> <p>8 I object to the form of that question.</p> <p>9 MR. KELLY: I heard your objection.</p> <p>10 I am going to proceed with my</p> <p>11 questioning.</p> <p>12 MR. HAYWOODE: Please.</p> <p>13 Q. At any point, did you speak with</p> <p>14 anybody from Marks Paneth &amp; Shron regarding</p> <p>15 the Edmonds engagement?</p> <p>16 A. My partners Sandra and Orley spoke</p> <p>17 to one of the partners. I did not personally</p> <p>18 speak to anybody from -- to any of the</p> <p>19 auditors, Shron, I didn't speak to anybody.</p> <p>20 Q. What did your partners,</p> <p>21 Ms. Griffiths and Mr. Cameron, tell you about</p> <p>22 their conversation with Marks Paneth &amp; Shron?</p> <p>23 A. This was an issue that has to do</p> <p>24 with our refinance, a loan refinance, in which</p> <p>25 the fees, the finance fees were amortized over</p> | <p style="text-align: right;">32</p> <p>1 Adam M. Pryce</p> <p>2 information that we needed.</p> <p>3 That was strange.</p> <p>4 Q. Did your partners, Mr. Cameron or</p> <p>5 Ms. Griffiths, tell you that Marks Paneth &amp;</p> <p>6 Shron had offered to meet with Cameron,</p> <p>7 Griffiths &amp; Pryce and go over any issues they</p> <p>8 may have?</p> <p>9 MR. HAYWOODE: Objection, again.</p> <p>10 A. I don't recall.</p> <p>11 I don't see why Dalton Management</p> <p>12 was the accountant. I don't see why Dalton</p> <p>13 Management shouldn't deal with the matter,</p> <p>14 because they are the accountants.</p> <p>15 MR. KELLY: I am going to ask the</p> <p>16 court reporter to mark this as the next</p> <p>17 exhibit.</p> <p>18 (Copy of Subpoena issued to Adam</p> <p>19 Pryce, was marked as Defendant's Exhibit</p> <p>20 18 for identification, as of this date.)</p> <p>21 Q. Do you see Exhibit 18 in front of</p> <p>22 you?</p> <p>23 A. Yes.</p> <p>24 Q. Have you seen that document before?</p> <p>25 A. Yes.</p> |
| <p style="text-align: right;">31</p> <p>1 Adam M. Pryce</p> <p>2 thirty years instead of over the life of the</p> <p>3 loan, which disputes GAAP. General acceptable</p> <p>4 accounting principles says that when you</p> <p>5 refinance it should be written over the life</p> <p>6 of the loan instead of thirty years.</p> <p>7 So that is a GAAP problem. I think</p> <p>8 that is what they spoke to him about. I can't</p> <p>9 recall.</p> <p>10 Q. Did Mr. Cameron tell you that the</p> <p>11 partner at Marks Paneth &amp; Shron offered to sit</p> <p>12 down with Cameron, Griffiths &amp; Pryce and go</p> <p>13 over any issues they may have?</p> <p>14 MR. HAYWOODE: Objection to the</p> <p>15 leading nature of the question, but the</p> <p>16 witness may answer.</p> <p>17 A. Let me answer that.</p> <p>18 I think at the time when the partner</p> <p>19 was contested, he said he was traveling to</p> <p>20 Europe or he was traveling somewhere.</p> <p>21 In fact, Sandra or we decided to</p> <p>22 communicate -- I'm saying we, my two</p> <p>23 partners. It was Ron Dawley who referred them</p> <p>24 to Shron. So we didn't contact. It was Ron</p> <p>25 Dawley who referred them because of</p>  | <p style="text-align: right;">33</p> <p>1 Adam M. Pryce</p> <p>2 Q. Was that document given to you</p> <p>3 several weeks ago at your office?</p> <p>4 A. Yes.</p> <p>5 Q. At the time you received this</p> <p>6 document, did you review the document?</p> <p>7 A. Yes, I did.</p> <p>8 Q. What did you do in response to this</p> <p>9 document?</p> <p>10 A. I'm here today.</p> <p>11 Q. Did you contact anybody when you</p> <p>12 received this document?</p> <p>13 A. No.</p> <p>14 Q. Prior to your deposition here today,</p> <p>15 did you speak with anybody about your</p> <p>16 deposition?</p> <p>17 A. No.</p> <p>18 Q. Did you speak with anybody in</p> <p>19 connection with your anticipated testimony</p> <p>20 today?</p> <p>21 A. No.</p> <p>22 Q. Looking back at Exhibit 15, is this</p> <p>23 something that you described previously as a</p> <p>24 written management report?</p> <p>25 A. Yes. These are the questions from</p>  |

9 (Pages 30 to 33)

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| <p style="text-align: right;">34</p> <p>1 Adam M. Pryce</p> <p>2 the management report, we call it, yes. These</p> <p>3 were issued, yes.</p> <p>4 Q. Am I understanding you correctly</p> <p>5 that you issued several of these types of</p> <p>6 documents prior to this particular one?</p> <p>7 A. I don't know what you mean by</p> <p>8 "several."</p> <p>9 Q. Did you issue previous documents</p> <p>10 similar to this prior to this one?</p> <p>11 A. I don't know if it's prior to</p> <p>12 this, but these were issued by us to John</p> <p>13 Edmonds.</p> <p>14 I don't know if there were</p> <p>15 previous. I didn't count them.</p> <p>16 Q. After the date of this document,</p> <p>17 December 12th, 2007, did you or Cameron,</p> <p>18 Griffiths &amp; Pryce prepare similar documents</p> <p>19 updating the findings in this one?</p> <p>20 A. Well, this is December 12th, 2007.</p> <p>21 So this is after the audit report. This is</p> <p>22 after the audit report.</p> <p>23 Yes, we did update Edmonds. We did</p> <p>24 update Edmonds.</p> <p>25 Q. After you issued Exhibit 15 on</p> | <p style="text-align: right;">36</p> <p>1 Adam M. Pryce</p> <p>2 informed by Bill Kelly that he has an</p> <p>3 assignment this afternoon in the federal</p> <p>4 district courts and must leave before one</p> <p>5 o'clock, and that when apprised of that</p> <p>6 information and at Mr. Kelly's direction,</p> <p>7 we advised Ms. Griffiths not to come.</p> <p>8 She is ill and has been somewhat</p> <p>9 ill, but she was prepared to come and</p> <p>10 give her testimony this morning.</p> <p>11 MR. KELLY: And let me also just</p> <p>12 clarify for the record that Ms. Griffiths</p> <p>13 was subpoenaed to appear yesterday and we</p> <p>14 were informed that she was ill.</p> <p>15 So her deposition had been adjourned</p> <p>16 on that premise.</p> <p>17 We were informed when we appeared</p> <p>18 here this morning that Ms. Griffiths was</p> <p>19 available for this afternoon, and as I</p> <p>20 indicated, I was unavailable, and I'm</p> <p>21 sure we will work together to reschedule</p> <p>22 her deposition at the nearest open date</p> <p>23 for all of us.</p> <p>24 MR. HAYWOODE: I always work</p> <p>25 together with you.</p> |
| <p style="text-align: right;">35</p> <p>1 Adam M. Pryce</p> <p>2 December 12th, 2007 --</p> <p>3 A. Yes.</p> <p>4 Q. -- did you provide additional</p> <p>5 written updates to Mr. Edmonds?</p> <p>6 A. I can't recall.</p> <p>7 Because, remember, we were given</p> <p>8 some documents after we came here. I think we</p> <p>9 came two places. So we did update it. So</p> <p>10 this is the update.</p> <p>11 Q. Do you recall any additional update</p> <p>12 after this?</p> <p>13 A. No.</p> <p>14 MR. KELLY: I think I may be</p> <p>15 finished.</p> <p>16 (Pause.)</p> <p>17 MR. KELLY: I am finished with my</p> <p>18 questioning.</p> <p>19 MR. HAYWOODE: For the record, let</p> <p>20 me indicate that Sandra Griffiths, the</p> <p>21 third partner, had indicated her</p> <p>22 intention to be present this morning and</p> <p>23 she was ready and willing to be deposed</p> <p>24 in any order or at least after</p> <p>25 Mr. Pryce's testimony, but we were</p>   | <p style="text-align: right;">37</p> <p>1 Adam M. Pryce</p> <p>2 EXAMINATION</p> <p>3 BY MR. TRAUB:</p> <p>4 Q. Good morning, Mr. Pryce.</p> <p>5 A. Good morning.</p> <p>6 Q. My name is Darren Traub. I</p> <p>7 represent the other defendants in this action</p> <p>8 other than Marks Paneth &amp; Shron and I just</p> <p>9 have a few followup questions for you.</p> <p>10 You stated that you have a full-time</p> <p>11 job at FACES New York, Inc. as a controller;</p> <p>12 is that correct?</p> <p>13 A. Yes.</p> <p>14 Q. Does FACES know that you also have a</p> <p>15 job with with Cameron, Griffiths &amp; Pryce?</p> <p>16 A. Well, I'm a partner of Cameron,</p> <p>17 Griffiths &amp; Pryce.</p> <p>18 Q. And did you disclose your</p> <p>19 partnership interests in Cameron, Griffiths &amp;</p> <p>20 Pryce to FACES New York?</p> <p>21 A. If I disclosed it? Yes.</p> <p>22 Q. So they are aware of the project you</p> <p>23 are handling for Mr. Edmonds?</p> <p>24 A. Of course.</p> <p>25 Q. And you stated that FACES New York</p>  |

10 (Pages 34 to 37)

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| <p style="text-align: right;">38</p> <p>1 Adam M. Pryce</p> <p>2 is involved with the project called HDFC, is</p> <p>3 that correct?</p> <p>4 A. The HDFC building, it reports on HUD</p> <p>5 as well.</p> <p>6 Q. I believe you testified --</p> <p>7 A. By the way, because HDFC is on DHCR</p> <p>8 as well.</p> <p>9 Q. You also said that HDFC is regulated</p> <p>10 by DHCR, is that correct?</p> <p>11 A. Yes.</p> <p>12 Q. What is your involvement with HDFC?</p> <p>13 A. I don't know. I don't understand.</p> <p>14 You mean in terms of what?</p> <p>15 Q. Are you also -- do you do the</p> <p>16 accounting for the books and records of HDFC?</p> <p>17 A. Yes. HDFC is a HUD project, which I</p> <p>18 do the books for.</p> <p>19 Q. So you do work with DHCR also --</p> <p>20 A. No.</p> <p>21 Q. -- for HDFC?</p> <p>22 A. No. I work with FACES New York.</p> <p>23 That is a HUD assisted project.</p> <p>24 Q. Let me rephrase my question.</p> <p>25 On behalf of FACES New York and on</p> | <p style="text-align: right;">40</p> <p>1 Adam M. Pryce</p> <p>2 governmental institute?</p> <p>3 A. I am familiar with HUD.</p> <p>4 Q. HUD is the entity which you are</p> <p>5 familiar with?</p> <p>6 A. And DHCR works with HUD. That's the</p> <p>7 state.</p> <p>8 Q. What about any other governmental</p> <p>9 regulated agencies, are you familiar with any</p> <p>10 other ones other than HUD?</p> <p>11 A. I don't know. You mean --</p> <p>12 MR. HAYWOODE: I object.</p> <p>13 A. I don't know.</p> <p>14 MR. HAYWOODE: I don't know that is</p> <p>15 appropriate.</p> <p>16 A. I don't know what you're driving at.</p> <p>17 Q. My question is you said you are</p> <p>18 familiar with HUD.</p> <p>19 Are you familiar with any --</p> <p>20 A. No. Let me explain what I said.</p> <p>21 I do the accounting for FACES</p> <p>22 New York, HUD assisted projects.</p> <p>23 I do not have any personal contact</p> <p>24 with anybody of DHCR or HUD.</p> <p>25 Q. What about with any other state or</p>  |
| <p style="text-align: right;">39</p> <p>1 Adam M. Pryce</p> <p>2 behalf of its project HDFC, do you have</p> <p>3 contact with DHCR?</p> <p>4 A. No, I don't. I don't have any</p> <p>5 direct contact with DHCR.</p> <p>6 Q. Who is responsible for the direct</p> <p>7 contact with DHCR for the HDFC project?</p> <p>8 A. Well, the executive director.</p> <p>9 Q. Other than the current project, have</p> <p>10 you ever audited a project that is regulated</p> <p>11 by Mitchell-Lama?</p> <p>12 A. No.</p> <p>13 Q. Other than the current project, have</p> <p>14 you ever regulated -- have you ever audited a</p> <p>15 project that is regulated by HDC?</p> <p>16 A. HDFC?</p> <p>17 Q. HDC.</p> <p>18 A. What HDC mean?</p> <p>19 Q. Are you not familiar with the term</p> <p>20 HDC?</p> <p>21 A. I don't know what is HDC. I am not</p> <p>22 familiar with HDC.</p> <p>23 What is that? HDC can mean many</p> <p>24 things. I don't know. Clarify that.</p> <p>25 Q. Are you familiar with the</p>   | <p style="text-align: right;">41</p> <p>1 Adam M. Pryce</p> <p>2 legal governmental agencies that regulate</p> <p>3 multifamily housing projects?</p> <p>4 A. I don't have any personal contact</p> <p>5 with any of them.</p> <p>6 Q. You also stated that Mr. Cameron</p> <p>7 asked you or said you should join the team,</p> <p>8 and you did, and the team you referred to is</p> <p>9 Cameron, Griffiths &amp; Pryce, and you formed the</p> <p>10 entity Cameron, Griffiths &amp; Pryce for the</p> <p>11 purpose of conducting the audit of the</p> <p>12 projects for Mr. Edmonds; is that correct?</p> <p>13 A. Yes.</p> <p>14 Q. Did you put a capital contribution</p> <p>15 into Cameron, Griffiths &amp; Pryce?</p> <p>16 A. In initiating the formation.</p> <p>17 Q. What was your initial capital</p> <p>18 contribution?</p> <p>19 A. I put in the fees, the state fees.</p> <p>20 Q. You, personally, put up the fees?</p> <p>21 A. Yes, I put in the fees as well.</p> <p>22 Q. In reviewing --</p> <p>23 MR. TRAUB: Withdrawn.</p> <p>24 Q. In auditing the projects, and by</p> <p>25 that I mean the four partnerships that</p> |

11 (Pages 38 to 41)

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| <p style="text-align: right;">42</p> <p>1 Adam M. Pryce</p> <p>2 Mr. Edmonds retained you to review, did you</p> <p>3 report all of your findings to Mr. Cameron?</p> <p>4 A. If I report my findings to</p> <p>5 Mr. Cameron?</p> <p>6 Okay. We audited the financial</p> <p>7 statements and we joined together.</p> <p>8 Q. So Mr. Cameron, then, would be aware</p> <p>9 of any findings that you came across during</p> <p>10 the audit?</p> <p>11 A. Mr. Cameron, Ms. Griffiths and</p> <p>12 myself, the three of us are aware. We all</p> <p>13 aware of the findings. We did review each</p> <p>14 other's work.</p> <p>15 Q. You did review each other's work?</p> <p>16 A. Yes.</p> <p>17 Q. Have you ever audited any other</p> <p>18 multifamily dwelling residential housing</p> <p>19 projects?</p> <p>20 A. Not audited, but I have experience</p> <p>21 working with FACES New York on similar</p> <p>22 projects, yes.</p> <p>23 Q. With FACES New York, how many</p> <p>24 housing projects does FACES New York have?</p> <p>25 A. We have about seventy-seven.</p>  | <p style="text-align: right;">44</p> <p>1 Adam M. Pryce</p> <p>2 unaccounted for?</p> <p>3 A. We didn't discover any cash</p> <p>4 problems.</p> <p>5 We discovered transactions that we</p> <p>6 couldn't test.</p> <p>7 We discovered, for example, there</p> <p>8 was \$29,000 in the books for Seavey, for</p> <p>9 Seavey loan, which couldn't be tested and</p> <p>10 couldn't be disclosed because of third party</p> <p>11 transaction.</p> <p>12 We didn't discover any cash</p> <p>13 missing. We discovered figures that we</p> <p>14 couldn't verify.</p> <p>15 Q. Did you discover any payments that</p> <p>16 should have gone to either the partnerships or</p> <p>17 Dalton Management but instead went directly to</p> <p>18 any of the Seaveys?</p> <p>19 A. We didn't see that. We didn't see</p> <p>20 that.</p> <p>21 However, when we look at Church Home</p> <p>22 there was a bank account that suddenly</p> <p>23 appearing at the end in our testing that the</p> <p>24 details that was distributed, that the details</p> <p>25 was not in the books of Dalton.</p> |
| <p style="text-align: right;">43</p> <p>1 Adam M. Pryce</p> <p>2 Q. Seventy-seven?</p> <p>3 A. Plus we have scatter site projects</p> <p>4 as well, which is funded by New York City, HRA</p> <p>5 administration.</p> <p>6 Q. You are not the auditor for those</p> <p>7 projects?</p> <p>8 A. No. I'm the controller.</p> <p>9 Q. In reviewing the files for the</p> <p>10 different projects on behalf of Mr. Edmonds,</p> <p>11 have you discovered any money that is missing</p> <p>12 or unaccounted for?</p> <p>13 A. Before we go, we did not review.</p> <p>14 We did an audit. An audit is</p> <p>15 full-blown attestation agreement.</p> <p>16 A review is a limited assurance</p> <p>17 agreement. We didn't do a review for</p> <p>18 Mr. Edmonds. We did a financial audit. It's</p> <p>19 different from a review.</p> <p>20 When you use review, it's kind of</p> <p>21 confusing to me, based on GAAP, based on GAAS.</p> <p>22 Q. Let me rephrase my question.</p> <p>23 In doing your financial audit for</p> <p>24 Mr. Edmonds of the four partnerships, did you</p> <p>25 discover any money that is missing or</p> | <p style="text-align: right;">45</p> <p>1 Adam M. Pryce</p> <p>2 Q. But did that account show any monies</p> <p>3 being paid directly to the Seaveys?</p> <p>4 A. It was a distribution. There was a</p> <p>5 distribution paid to the partners, but the</p> <p>6 detail of it was not inside the general</p> <p>7 ledger.</p> <p>8 Q. Thank you.</p> <p>9 MR. HAYWOODE: I object to any</p> <p>10 characterization, monies paid directly to</p> <p>11 the Seaveys, because we know that the</p> <p>12 Seavey group and the Seavey family is</p> <p>13 a substantial component of Dalton</p> <p>14 Management.</p> <p>15 MR. TRAUB: Once again, I remind you</p> <p>16 that your objection is beyond what is</p> <p>17 permissible under the Federal Rules.</p> <p>18 MR. HAYWOODE: In your opinion. I</p> <p>19 am not going to be governed here today by</p> <p>20 your opinion.</p> <p>21 MR. TRAUB: You are going to be</p> <p>22 governed by the Federal Rules.</p> <p>23 MR. HAYWOODE: I have seen enough of</p> <p>24 your opinions.</p> <p>25 MR. TRAUB: I have no further</p>         |

12 (Pages 42 to 45)

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| <p style="text-align: right;">46</p> <p>1 Adam M. Pryce</p> <p>2 questions.</p> <p>3 Since we are on the record, I want</p> <p>4 to state on the record at 5:35 yesterday</p> <p>5 you filed a motion for sanctions and to</p> <p>6 compel documents that had been produced</p> <p>7 to your office more than seven hours</p> <p>8 prior to the filing of your motion.</p> <p>9 I also pointed that out to you in an</p> <p>10 email after you filed.</p> <p>11 MR. HAYWOODE: I missed what</p> <p>12 Mr. Traub said about seven hours,</p> <p>13 Ms. Metz.</p> <p>14 Could you read it back?</p> <p>15 (Whereupon, the requested portion</p> <p>16 was read back by the reporter.)</p> <p>17 MR. TRAUB: Your motion. And I</p> <p>18 asked you to withdraw or correct the</p> <p>19 statements in your motion to compel</p> <p>20 documents in your statements that you had</p> <p>21 not yet received those documents, as they</p> <p>22 were untrue, and I have not heard a</p> <p>23 response from your office yet.</p> <p>24 So I want to ask on the record, do</p> <p>25 you intend to withdraw your motion filed</p> | <p style="text-align: right;">48</p> <p>1 Adam M. Pryce</p> <p>2 which are directly addressed by the</p> <p>3 documents that you were concealing, and</p> <p>4 on Sunday when I indicated to you that I</p> <p>5 could not proceed with any further</p> <p>6 deposition unless I heard and found what</p> <p>7 those documents were, what did you do?</p> <p>8 You didn't send it to me Sunday, but</p> <p>9 you knew it and you had it.</p> <p>10 You didn't send it to me or tell me</p> <p>11 Monday morning when I said send me the</p> <p>12 documents and the deposition of</p> <p>13 Ms. Seavey will ensue. You didn't</p> <p>14 respond to that.</p> <p>15 Your response was to make a motion</p> <p>16 for sanctions at the end of the day at</p> <p>17 5:30 with nothing further.</p> <p>18 When I came here yesterday you</p> <p>19 didn't bring the documents to me and give</p> <p>20 them to me, if you intended me to know it</p> <p>21 or to have it.</p> <p>22 The questions I raised before the</p> <p>23 magistrate is why a lawyer would conceal</p> <p>24 documents, represent they had nothing to</p> <p>25 do with the deposition that Mrs. Seavey</p>                                      |
| <p style="text-align: right;">47</p> <p>1 Adam M. Pryce</p> <p>2 seven hours after the production of</p> <p>3 documents?</p> <p>4 MR. HAYWOODE: Mr. Traub, what time</p> <p>5 did you produce the documents that you</p> <p>6 say you produced to my office?</p> <p>7 MR. TRAUB: 10:11 a.m.</p> <p>8 MR. HAYWOODE: Where was I yesterday</p> <p>9 at 10:11 a.m.?</p> <p>10 You know I was here with you</p> <p>11 yesterday.</p> <p>12 MR. TRAUB: Until one o'clock.</p> <p>13 MR. HAYWOODE: Until one o'clock, so</p> <p>14 if you served something on my office on</p> <p>15 that morning and I wasn't there, I didn't</p> <p>16 see it.</p> <p>17 The documents -- the motion was made</p> <p>18 prior to my knowledge that you had served</p> <p>19 papers which we had asked for as long ago</p> <p>20 as Thursday, the 16th, which were</p> <p>21 withheld from us, which we requested on</p> <p>22 Sunday afternoon after you deposed</p> <p>23 Mr. Edmonds for five hours on Friday, the</p> <p>24 day after we asked for the documents, and</p> <p>25 you put a series of questions to him</p>                     | <p style="text-align: right;">49</p> <p>1 Adam M. Pryce</p> <p>2 was about to give?</p> <p>3 Why would a lawyer do that when in</p> <p>4 the midst of the document are documents</p> <p>5 which contravene allegations made by him</p> <p>6 and his client in three or four lawsuits</p> <p>7 that I know of, especially this one?</p> <p>8 You argued before the magistrate</p> <p>9 certain circumstances which are directly</p> <p>10 contradicted by the documents that you</p> <p>11 submitted to my office sometime yesterday</p> <p>12 when I wasn't home, there.</p> <p>13 Particularly, the motion made to the</p> <p>14 magistrate raises the question as to why</p> <p>15 you would write a 21-page affidavit</p> <p>16 complaining about our inability to</p> <p>17 proceed to the deposition of Mrs. Seavey</p> <p>18 because we say we wanted to see the</p> <p>19 documents being held since Thursday, the</p> <p>20 16th, and never produced to the</p> <p>21 magistrate the documents that you say you</p> <p>22 produced to me one day later.</p> <p>23 That looks to me like a deliberate</p> <p>24 effort to conceal evidence, to force a</p> <p>25 deposition under circumstances where I</p> |

13 (Pages 46 to 49)



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| <p style="text-align: right;">50</p> <p>1 Adam M. Pryce</p> <p>2 knew on Thursday, so far as I could see,</p> <p>3 that the documents that you were</p> <p>4 spiriting and hiding away are documents</p> <p>5 which directly related to the testimony</p> <p>6 to be given by Mrs. Seavey and any other</p> <p>7 defendant.</p> <p>8 And I don't understand that</p> <p>9 professionally, counselor. I have a</p> <p>10 professional problem with that.</p> <p>11 MR. TRAUB: Exactly, Mr. Haywoode.</p> <p>12 The professional problem I have is</p> <p>13 the abundant misstatements that come</p> <p>14 out of your mouth without any factual</p> <p>15 knowledge whatsoever.</p> <p>16 First of all, you should know that</p> <p>17 the first time that I was told that you</p> <p>18 were actually missing documents was in</p> <p>19 your e-mail Sunday night.</p> <p>20 In fact, I had not seen the</p> <p>21 documents until Monday morning.</p> <p>22 At that time, we began to review</p> <p>23 them, Bates label them, and prepare them</p> <p>24 for production to your office.</p> <p>25 I had not known anything Thursday</p>  | <p style="text-align: right;">52</p> <p>1 Adam M. Pryce</p> <p>2 then informed you, at 5:38 p.m.</p> <p>3 yesterday, that your motion was incorrect</p> <p>4 because your office had already had the</p> <p>5 documents. You never responded, which is</p> <p>6 why I am now giving you a chance on the</p> <p>7 record to state whether or not you will</p> <p>8 withdraw your motion that was filed seven</p> <p>9 hours after the documents had been</p> <p>10 produced to your office.</p> <p>11 That's the only question I am posing</p> <p>12 to you.</p> <p>13 MR. HAYWOODE: I say again, the</p> <p>14 question raised in my motion was why this</p> <p>15 document wasn't presented to us Monday</p> <p>16 morning before the deposition of Phyllis</p> <p>17 Seavey.</p> <p>18 MR. TRAUB: Because you didn't show</p> <p>19 up for the deposition, Mr. Haywoode.</p> <p>20 MR. HAYWOODE: I am speaking.</p> <p>21 I want to know why the document</p> <p>22 wasn't given to us Thursday afternoon at</p> <p>23 the time we requested. This recent</p> <p>24 fabrication about Bates numbering is</p> <p>25 ridiculous.</p>   |
| <p style="text-align: right;">51</p> <p>1 Adam M. Pryce</p> <p>2 afternoon and in fact the investigation</p> <p>3 and review of those documents were</p> <p>4 continuing by your office on Friday and,</p> <p>5 as far as your e-mail made it sound like</p> <p>6 to the magistrate, Saturday and Sunday.</p> <p>7 So we were not going to continue to</p> <p>8 piecemeal photocopies for you. We were</p> <p>9 going to wait for you to tell us</p> <p>10 everything you wanted, photocopy them</p> <p>11 at one time, and produce them to you,</p> <p>12 just like we have done twice in the past.</p> <p>13 In addition, you should note that</p> <p>14 both the document production that have</p> <p>15 occurred to your office in the past</p> <p>16 occurred through my office, after we</p> <p>17 reviewed them and were able to determine</p> <p>18 whether or not any of the documents were</p> <p>19 privileged, confidential, or how they</p> <p>20 need to be produced.</p> <p>21 That is the way discovery occurs in</p> <p>22 both state and in federal court.</p> <p>23 Moreover, regardless of whether you</p> <p>24 knew the documents had been produced to</p> <p>25 your office at 10:11 a.m., at the time I</p> | <p style="text-align: right;">53</p> <p>1 Adam M. Pryce</p> <p>2 MR. TRAUB: Did you request</p> <p>3 documents from my office?</p> <p>4 MR. HAYWOODE: Hundreds of pieces of</p> <p>5 paper have been exchanged by all the</p> <p>6 parties in boxloads and you will not see</p> <p>7 a Bates number on any one of those</p> <p>8 hundreds, maybe several thousands of</p> <p>9 pages, not a Bates number on one of them.</p> <p>10 This was nothing but a contrivance</p> <p>11 to suppress evidence directly relevant to</p> <p>12 the cross-examination that you did of</p> <p>13 Mr. Edmonds. The very following day</p> <p>14 while we were waiting for those documents</p> <p>15 you put a series of questions to John</p> <p>16 Edmonds concerning his ownership of</p> <p>17 shares in these corporations which were</p> <p>18 directly contravened by the documents</p> <p>19 that were being suppressed and held, and</p> <p>20 you continued to hold them, and even when</p> <p>21 you went to the magistrate with your</p> <p>22 21-page production, you did not include</p> <p>23 the documents.</p> <p>24 Why not before the magistrate?</p> <p>25 Because then the magistrate might have</p> |

14 (Pages 50 to 53)

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| <p style="text-align: right;">54</p> <p>1 Adam M. Pryce<br/>2 seen what everyone else saw, what I<br/>3 referred to as my sentinels and shepherds<br/>4 in the field saw Thursday night, that you<br/>5 were suppressing evidence which you<br/>6 intended -- which directly touched upon<br/>7 your deposition of John Edmonds and which<br/>8 would have directly impacted on the<br/>9 deposition of Phyllis Seavey, Bob Seavey,<br/>10 Avery Seavey, Nealle Seavey, any other<br/>11 defendant that you would have produced.<br/>12 And when did you produce it? Not to<br/>13 me Monday morning, not to the magistrate<br/>14 in your motion, but you snuck it into my<br/>15 office allegedly in the morning.<br/>16 I don't monitor the e-mails all day,<br/>17 and I don't see them sometimes until the<br/>18 following day.<br/>19 I had no idea that you even sent<br/>20 other e-mails to my office last night.<br/>21 I don't live in the office.<br/>22 MR. TRAUB: Mr. Haywoode --<br/>23 MR. HAYWOODE: Why, when I said to<br/>24 you I have a cell phone number, and I<br/>25 said it to both counsel, a 24-hour cell</p> | <p style="text-align: right;">56</p> <p>1 Adam M. Pryce<br/>2 know --<br/>3 MR. HAYWOODE: Because you said it<br/>4 didn't have anything to do with anything<br/>5 and you said Phyllis Seavey's name wasn't<br/>6 in it.<br/>7 So you knew what it was.<br/>8 I want to know if any body of<br/>9 attorneys looking at those exhibits and<br/>10 knowing the facts of this case could<br/>11 conclude that a lawyer looked at those<br/>12 exhibits and said, oh, this has nothing<br/>13 to do with any question he could possibly<br/>14 ask any of my clients.<br/>15 I have a professional problem with<br/>16 that assessment.<br/>17 MR. TRAUB: Mr. Haywoode, when you<br/>18 have the facts, you argue the facts.<br/>19 When you have the facts on your side, you<br/>20 argue the facts. When you have the law<br/>21 on your side you argue the law, and when<br/>22 you have neither you do as Mr. Haywoode<br/>23 is now doing and you pound the table.<br/>24 MR. HAYWOODE: I haven't pounded any<br/>25 table.</p> |
| <p style="text-align: right;">55</p> <p>1 Adam M. Pryce<br/>2 phone number, anything you had to say to<br/>3 me you could have said. You could have<br/>4 said it Sunday, all night Sunday, Monday.<br/>5 My motion to the magistrate is as to<br/>6 why a lawyer would have held this<br/>7 document until even Tuesday morning and<br/>8 sent it to me at a time when he knew I<br/>9 was in his office engaged in another<br/>10 deposition.<br/>11 I call that sleight of hand,<br/>12 which bothers me professionally.<br/>13 MR. TRAUB: That's nice,<br/>14 Mr. Haywoode.<br/>15 I ask you number one to show me a<br/>16 single request to my office to produce<br/>17 documents Thursday. You cannot because<br/>18 the request never came to me or my<br/>19 office.<br/>20 MR. HAYWOODE: That's what you say.<br/>21 I don't know. But you certainly knew it<br/>22 Sunday and it still took you until<br/>23 Tuesday to give it to us, and you<br/>24 certainly knew the text of it on Sunday.<br/>25 MR. TRAUB: Mr. Haywoode, I did not</p>   | <p style="text-align: right;">57</p> <p>1 Adam M. Pryce<br/>2 MR. TRAUB: Figuratively.<br/>3 MR. HAYWOODE: When you have the<br/>4 evidence which contravenes your case<br/>5 and indicates major, major contradictions<br/>6 in presentations you have made in this<br/>7 and several other suits, you suppress<br/>8 it.<br/>9 MR. TRAUB: Mr. Haywoode, clearly<br/>10 you have not reviewed the documents<br/>11 that have been produced to your office<br/>12 because when you see them you will know<br/>13 that what they are a cover letter from<br/>14 Mr. Seavey to various parties enclosing<br/>15 the exact same documents that were<br/>16 provided and marked as exhibits in your<br/>17 client's deposition on Friday.<br/>18 I don't intend to engage in this any<br/>19 further with you.<br/>20 Clearly, you are not going to<br/>21 withdraw your motion. So we will respond<br/>22 in due course.<br/>23 Do you have any other questions?<br/>24 MR. KELLY: No.<br/>25 THE WITNESS: I just want to say</p>    |

15 (Pages 54 to 57)

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| <p style="text-align: right;">58</p> <p>1 Adam M. Pryce</p> <p>2 something.</p> <p>3 MR. HAYWOODE: Oh, one further</p> <p>4 thing.</p> <p>5 Did you not say that Mrs. Seavey</p> <p>6 would be unavailable after the 20th and</p> <p>7 will not be here and would be unable to</p> <p>8 be deposed?</p> <p>9 Mrs. Seavey was certainly here today</p> <p>10 and yesterday.</p> <p>11 Did you not say it was difficult to</p> <p>12 get to this place, when her office is</p> <p>13 right across the street, and when I said</p> <p>14 let's do the deposition here as a</p> <p>15 courtesy to the Seaveys, who I have known</p> <p>16 for many years, so it is convenient to</p> <p>17 them rather than have them come out to my</p> <p>18 office?</p> <p>19 MR. TRAUB: Mr. Haywoode, I think</p> <p>20 this is the problem.</p> <p>21 MR. HAYWOODE: This has nothing to</p> <p>22 do with the deposition record.</p> <p>23 I don't know. If you want to keep</p> <p>24 it on, go ahead.</p> <p>25 You said what you wanted to say. I</p> | <p style="text-align: right;">60</p> <p>1 Adam M. Pryce</p> <p>2 EXAMINATION</p> <p>3 BY MR. HAYWOODE:</p> <p>4 Q. Mr. Pryce, let me try to get a fix</p> <p>5 on this.</p> <p>6 You and your associates looked at</p> <p>7 the 2006 books of these corporations at one</p> <p>8 point; is that correct?</p> <p>9 A. Yes.</p> <p>10 Q. Is it your testimony that when you</p> <p>11 looked at the books and you tested areas, you</p> <p>12 were unable to come to any conclusion because</p> <p>13 you could not see the supporting evidence to</p> <p>14 support the areas of testing that you</p> <p>15 conducted?</p> <p>16 A. Yes.</p> <p>17 MR. KELLY: Objection.</p> <p>18 Q. Is that what you said?</p> <p>19 A. Yes. There were material areas that</p> <p>20 we couldn't get evidence, we couldn't form an</p> <p>21 opinion.</p> <p>22 Q. Now, sir, when these --</p> <p>23 MR. HAYWOODE: I withdraw that.</p> <p>24 Q. This is not an unusual circumstance</p> <p>25 for an auditor; is it?</p>   |
| <p style="text-align: right;">59</p> <p>1 Adam M. Pryce</p> <p>2 said what I wanted to say.</p> <p>3 MR. TRAUB: I will just correct the</p> <p>4 misstatement.</p> <p>5 My comment was that Mrs. Seavey</p> <p>6 would be unavailable over the course of</p> <p>7 the next two weeks.</p> <p>8 There were depositions scheduled</p> <p>9 yesterday so Mrs. Seavey's deposition</p> <p>10 could not be held.</p> <p>11 There was a deposition scheduled for</p> <p>12 today.</p> <p>13 I stand by my statement to the</p> <p>14 magistrate, as I presume you do as</p> <p>15 well.</p> <p>16 I have nothing further for this</p> <p>17 witness and there are no questions in</p> <p>18 front of him.</p> <p>19 THE WITNESS: May I say something?</p> <p>20 MR. TRAUB: No. There is no</p> <p>21 question.</p> <p>22 THE WITNESS: Can I say something?</p> <p>23 MR. TRAUB: No.</p> <p>24 MR. HAYWOODE: I wish to examine the</p> <p>25 witness.</p>  | <p style="text-align: right;">61</p> <p>1 Adam M. Pryce</p> <p>2 MR. KELLY: Objection.</p> <p>3 A. Well, first thing, the system didn't</p> <p>4 produce a trial balance.</p> <p>5 We saw a number of adjusting journal</p> <p>6 entries, correcting journal entries at the</p> <p>7 yearend which were above the normal</p> <p>8 requirement, five adjusting entries that the</p> <p>9 auditors usually propose, five to ten. That's</p> <p>10 a normal audit.</p> <p>11 We saw over twenty journal entries</p> <p>12 at least each year.</p> <p>13 It suggests that there was</p> <p>14 deficiency in the internal control of the</p> <p>15 auditor.</p> <p>16 Q. Would you describe those</p> <p>17 deficiencies?</p> <p>18 A. Deficiency and a number of entries</p> <p>19 that Dalton should have made, because Dalton I</p> <p>20 understand was using cash basis of accounting</p> <p>21 but that was confusing, because if you use</p> <p>22 cash base of accounting you do not record</p> <p>23 receivables or payables.</p> <p>24 We saw receivables in Dalton's book</p> <p>25 and yet it was confusing.</p> |

16 (Pages 58 to 61)

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| <p style="text-align: right;">62</p> <p>1 Adam M. Pryce</p> <p>2 Now, those journal entries that we</p> <p>3 saw, the number of journal entries we saw</p> <p>4 proposed by the auditor, we didn't see any</p> <p>5 evidence that they were approved by Dalton</p> <p>6 and Dalton did not book them that way neither.</p> <p>7 Now, if you are converting from cash</p> <p>8 basis of accounting to accrual basis, which is</p> <p>9 GAAP, GAAP, then there are two journal entries</p> <p>10 you need to see at yearend. One with</p> <p>11 receivables and one with payables.</p> <p>12 They were excessive journal</p> <p>13 entries. They were evidence that they were</p> <p>14 approved by Dalton.</p> <p>15 Usually --</p> <p>16 Q. Did you say there were?</p> <p>17 A. There were no evidence that these</p> <p>18 proposed entries were approved by Dalton.</p> <p>19 Dalton is responsible for the financial</p> <p>20 statement.</p> <p>21 Management is responsible for the</p> <p>22 management statement.</p> <p>23 Auditors are there to form an</p> <p>24 opinion of the financial statement.</p> <p>25 Q. So that your findings were that</p>                        | <p style="text-align: right;">64</p> <p>1 Adam M. Pryce</p> <p>2 aspects of the overreaching rule of GAGAS.</p> <p>3 We were not there -- we were there</p> <p>4 to conduct a financial audit on any matters</p> <p>5 that come to our attention which were</p> <p>6 considered material, we need to disclose them</p> <p>7 for our client, and this is what we did in our</p> <p>8 management letters.</p> <p>9 Q. Are you familiar with the issue that</p> <p>10 arose concerning frontline employees and</p> <p>11 central office employees being paid by the</p> <p>12 partnership corporation?</p> <p>13 A. Yes, I am familiar.</p> <p>14 Q. And you are aware that one of</p> <p>15 Mr. Edmonds's concerns was that the</p> <p>16 developments of which he is a partner may be</p> <p>17 paying expenses having to do with other</p> <p>18 developments owned by the Seavey group that he</p> <p>19 is not a member of? Have you heard that</p> <p>20 situation?</p> <p>21 A. Yes.</p> <p>22 Q. To your knowledge --</p> <p>23 MR. HAYWOODE: I withdraw that.</p> <p>24 Q. Are you aware that there are some</p> <p>25 twelve other units which John Edmonds is not</p> |
| <p style="text-align: right;">63</p> <p>1 Adam M. Pryce</p> <p>2 these decisions were being made by the</p> <p>3 auditor?</p> <p>4 A. Yes.</p> <p>5 MR. KELLY: Objection.</p> <p>6 A. Because the accountant, normal</p> <p>7 practice according to GAAP, should have sent a</p> <p>8 letter to the client asking the client to</p> <p>9 approve the journal entries, and we didn't see</p> <p>10 the evidence, and Dalton didn't book them in</p> <p>11 that order neither.</p> <p>12 So the question is, those are things</p> <p>13 we didn't have the evidence. So we couldn't</p> <p>14 form an opinion neither.</p> <p>15 Q. Is it fair to say that an objective</p> <p>16 observer might have looked at this and</p> <p>17 determined that Dalton was not the accountant</p> <p>18 but that Marks Paneth &amp; Shron was the</p> <p>19 accountant for these developments?</p> <p>20 MR. KELLY: Objection.</p> <p>21 A. Well, the journal entries were not</p> <p>22 approved by Dalton. So if they're not</p> <p>23 approved, then there is an implication that</p> <p>24 management decisions were being made by the</p> <p>25 auditor, and this is overreaching, one of the</p> | <p style="text-align: right;">65</p> <p>1 Adam M. Pryce</p> <p>2 associated with, which are owned by the Seavey</p> <p>3 group?</p> <p>4 A. Yes, I am aware.</p> <p>5 Q. Are you aware that all of those</p> <p>6 developments in our present information have</p> <p>7 Dalton Management as the manager and Marks</p> <p>8 Paneth &amp; Shron as the auditor? Are you aware</p> <p>9 of that?</p> <p>10 MR. KELLY: Objection.</p> <p>11 A. Yes.</p> <p>12 MR. KELLY: You just asked a</p> <p>13 question upon information.</p> <p>14 Can I ask you to identify what</p> <p>15 information you are referring to?</p> <p>16 MR. HAYWOODE: Information provided</p> <p>17 in discovery by the parties.</p> <p>18 MR. KELLY: Can you be more specific</p> <p>19 than that?</p> <p>20 MR. HAYWOODE: Well, I will.</p> <p>21 On one occasion we asked for an</p> <p>22 allocation of the amounts of payment</p> <p>23 being made by each development to the</p> <p>24 central office staff of Dalton Management</p> <p>25 and we received a paper which listed</p>   |

17 (Pages 62 to 65)

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| <p style="text-align: right;">66</p> <p>1 Adam M. Pryce</p> <p>2 three developments: Charles Hill, Logan</p> <p>3 Plaza, and Church Home.</p> <p>4 On another occasion previous, when</p> <p>5 we had raised the same question, we</p> <p>6 received the same sheet but it listed the</p> <p>7 several other developments, including</p> <p>8 Lakeview, indicating the same</p> <p>9 assessments.</p> <p>10 This is the source of our</p> <p>11 information and it was raised in a</p> <p>12 previous deposition with Mr. Dawley</p> <p>13 because we were wondering why the second</p> <p>14 time it was raised the paper, which</p> <p>15 listed the other developments, was cut</p> <p>16 off and we were only given three.</p> <p>17 MR. KELLY: What aspect of that</p> <p>18 information implies Marks Paneth &amp; Shron</p> <p>19 was the auditor for those?</p> <p>20 MR. HAYWOODE: That was the</p> <p>21 testimony of the previous witnesses at</p> <p>22 the previous depositions. That is my</p> <p>23 recollection of the testimony of</p> <p>24 Mr. Dawley and of Mr. Jennings. That is</p> <p>25 my recollection.</p> | <p style="text-align: right;">68</p> <p>1 Adam M. Pryce</p> <p>2 Now you can answer the question.</p> <p>3 EXAMINATION</p> <p>4 BY MR. HAYWOODE:</p> <p>5 Q. The question was, are you aware that</p> <p>6 that situation pertains or had you heard that</p> <p>7 that situation pertains?</p> <p>8 MR. KELLY: Objection.</p> <p>9 A. Yes.</p> <p>10 Q. Would that impact the questions of</p> <p>11 independence that you referred to in the GAGAS</p> <p>12 rules?</p> <p>13 A. Yes.</p> <p>14 MR. KELLY: Objection.</p> <p>15 A. Yes, but this is also related party</p> <p>16 transaction as well, a number of related party</p> <p>17 transactions as well, and independent rule,</p> <p>18 yes.</p> <p>19 Q. If you look, and I am not talking</p> <p>20 about this situation, but let's take any</p> <p>21 situation, if you come to a situation and you</p> <p>22 conduct an audit and you see, for instance,</p> <p>23 figures are presented in the end year</p> <p>24 financial statement done by the auditor which</p> <p>25 show no relationship in terms of adjusted</p>  |
| <p style="text-align: right;">67</p> <p>1 Adam M. Pryce</p> <p>2 MR. KELLY: That is definitely not</p> <p>3 the testimony of Mr. Jennings.</p> <p>4 That's why I asked you what</p> <p>5 information --</p> <p>6 MR. HAYWOODE: I say it on</p> <p>7 information and that's my present</p> <p>8 recollection of the source of that</p> <p>9 information.</p> <p>10 MR. KELLY: Okay.</p> <p>11 MR. HAYWOODE: If it is not true, I</p> <p>12 am certainly subject to correction.</p> <p>13 It is my present information that in</p> <p>14 every one of these buildings, from</p> <p>15 fourteen to sixteen of them, that Marks</p> <p>16 Paneth &amp; Shron is the auditor and Dalton</p> <p>17 Management is the accountant.</p> <p>18 If that's not true, counsel, you</p> <p>19 certainly have the means to correct me</p> <p>20 and I will stand corrected.</p> <p>21 MR. KELLY: That's why I asked you</p> <p>22 what information you were relying on.</p> <p>23 MR. HAYWOODE: And I told you what</p> <p>24 it was.</p> <p>25 MR. KELLY: Thank you.</p>   | <p style="text-align: right;">69</p> <p>1 Adam M. Pryce</p> <p>2 journal entries to the figures in the books of</p> <p>3 the accountants, is there any way that you can</p> <p>4 form any opinion as to what happened to the</p> <p>5 difference in the money between the</p> <p>6 accountant's journal and the money reported in</p> <p>7 the financial statement by the auditor?</p> <p>8 Is there any way you can form any</p> <p>9 opinion as to what happened to that money?</p> <p>10 MR. KELLY: Objection.</p> <p>11 A. This problem suggests that the</p> <p>12 proposed journal entries were not approved by</p> <p>13 management.</p> <p>14 Q. By the accountant?</p> <p>15 A. By the accountant.</p> <p>16 MR. KELLY: Objection.</p> <p>17 Q. And with regard to the monies which</p> <p>18 are in that spread between what the</p> <p>19 accountants had and what the auditors issued,</p> <p>20 put the case that that amount of money was</p> <p>21 \$7 million, just theoretically. Could you</p> <p>22 tell what happened to that \$7 million from</p> <p>23 simply looking at the general ledger and then</p> <p>24 looking at the financial statement?</p> <p>25 MR. KELLY: Objection.</p> |

18 (Pages 66 to 69)

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| <p style="text-align: right;">70</p> <p>1 Adam M. Pryce</p> <p>2 A. Yes. Well, the bottom line of any</p> <p>3 financial statement, in this case they were</p> <p>4 partnerships. The bottom line of everything</p> <p>5 goes to the capital account which is where</p> <p>6 distribution takes place. So everything goes</p> <p>7 there.</p> <p>8 So whatever transaction takes place,</p> <p>9 that's the bottom line and that sets up the</p> <p>10 distribution.</p> <p>11 The bottom line of the financial</p> <p>12 statement, in this case the partnership goes</p> <p>13 right to the capital account, and it's that</p> <p>14 bottom line that is used to distribute to the</p> <p>15 partners.</p> <p>16 Q. Sir, what I am trying to understand,</p> <p>17 without anything else, if you looked at a</p> <p>18 situation and the general ledger said</p> <p>19 \$3 million was expended and then you looked at</p> <p>20 a financial statement, and it says \$7 million</p> <p>21 was expended, and you saw no request proposed</p> <p>22 for journal entry adjustments, no proposal</p> <p>23 coming from the auditor, no acceptance coming</p> <p>24 back from the accountant to the auditor, could</p> <p>25 you in any way tell what happened to the</p> | <p style="text-align: right;">72</p> <p>1 Adam M. Pryce</p> <p>2 MR. KELLY: Objection.</p> <p>3 MR. TRAUB: Objection.</p> <p>4 A. The transaction we couldn't form.</p> <p>5 We didn't have the evidence. So we couldn't</p> <p>6 form an opinion.</p> <p>7 Q. You wouldn't know if that money went</p> <p>8 to Mel Haywoode, would you?</p> <p>9 MR. KELLY: Objection.</p> <p>10 A. No.</p> <p>11 Q. You wouldn't know if Mel Haywoode</p> <p>12 stole that money, took that money, invested</p> <p>13 that money with Bear Stearns, you would have</p> <p>14 no way of knowing what happened to that</p> <p>15 money?</p> <p>16 MR. KELLY: Objection.</p> <p>17 Q. Would you?</p> <p>18 MR. KELLY: Objection.</p> <p>19 A. Our aim there, Mel, was to test the</p> <p>20 records, because if there's any matters that</p> <p>21 is questionable we are supposed to bring that</p> <p>22 to the attention.</p> <p>23 This is what GAGAS, GAAP, GAAS asks</p> <p>24 us to do. That's what governs our behavior.</p> <p>25 It is not personal. We are there to</p>             |
| <p style="text-align: right;">71</p> <p>1 Adam M. Pryce</p> <p>2 monies which were between the two accounts?</p> <p>3 MR. KELLY: Objection.</p> <p>4 A. Well, first thing you need to look</p> <p>5 for supporting evidence, because we are there</p> <p>6 to do a financial audit, to test, based on our</p> <p>7 sample, any matters, to disclose them.</p> <p>8 So as I said, if the bottom line of</p> <p>9 all these transactions go to the capital</p> <p>10 account and that's where the distribution</p> <p>11 takes place, so it has implication for moneys</p> <p>12 as well.</p> <p>13 Q. But you wouldn't know what happened</p> <p>14 to those monies, is that correct?</p> <p>15 MR. KELLY: Objection.</p> <p>16 MR. TRAUB: Objection.</p> <p>17 A. If I have no evidence.</p> <p>18 Q. If you have no evidence, you</p> <p>19 couldn't tell.</p> <p>20 MR. KELLY: Objection.</p> <p>21 A. (No response.)</p> <p>22 Q. So if someone were to tell you that</p> <p>23 money was given to Casey Stengle, would you be</p> <p>24 able to say yes or no the money went to Casey</p> <p>25 Stengle?</p>   | <p style="text-align: right;">73</p> <p>1 Adam M. Pryce</p> <p>2 follow those rules.</p> <p>3 Q. So you formed no personal opinions?</p> <p>4 A. We formed no personal opinions about</p> <p>5 Ron or Seavey. We were there as independent</p> <p>6 auditor to follow GAAS. That's what governed</p> <p>7 our behavior, to follow GAAP, which is the</p> <p>8 presentation of financial statements, to</p> <p>9 assure that accrual basis of accounting is</p> <p>10 used, and that's what we report on.</p> <p>11 Q. Mr. Pryce, you wouldn't know what</p> <p>12 happened?</p> <p>13 A. We wouldn't know anything.</p> <p>14 MR. KELLY: Objection.</p> <p>15 A. If we don't have anything, we</p> <p>16 wouldn't know.</p> <p>17 MR. HAYWOODE: No further questions.</p> <p>18 THE WITNESS: We are there to gather</p> <p>19 evidential matter and to test them. We</p> <p>20 don't know if we don't see evidence.</p> <p>21 MR. HAYWOODE: No further</p> <p>22 questions.</p> <p>23 EXAMINATION</p> <p>24 BY MR. KELLY:</p> <p>25 Q. Mr. Pryce, I am going to follow up</p> |

19 (Pages 70 to 73)